

Message Text

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ACTION STR-07

INFO OCT-01 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 OIC-02 JUSE-00 AF-10 ARA-10 EA-10
EUR-12 NEA-10 /168 W

-----000821 211939Z /43

P 211805Z APR 78

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 8739

INFO AMEMBASSY BERN

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 06105

USMTN

ACTION STR PASS ELECTRICALLY FOR SCHMITZ

STR PASS CODEL

E.O.11652:N/A

TAGS: MTN, ETRD, SZ

SUBJECT: U.S./SWISS BILATERAL ON INDUSTRIAL TARIFFS

REF: GENEVA 4388

1. ON APRIL 18, U.S. MTN DEL (BALE, SHELLEY, ST. MAXENS)
PLUS KEMPE FROM AMEMBASSY BERN MET WITH SWISS DEL LED BY
EBERHARD FOR BILATERAL ON INDUSTRIAL TARIFFS. U.S. DEL
SOUGHT FURTHER CLARIFICATION ON GOS PLANS TO SPECIFY
TARIFF OFFER ON AUTOMOBILES AND TO REPLACE CURRENT TARIFFS
ON AUTOMOBILES WITH EXCISE TAX. SWISS DEL STATED THAT NO
DETAILS ON THE TIMING OR SUBSTANCE OF THE PROPOSED EXCISE
TAX WERE AVAILABLE AT THIS TIME, BUT INDICATED THAT AN
EXCISE TAX HIGHER THAN THE CURRENT DUTY LEVEL WOULD BE
POLITICALLY UNACCEPTABLE. U.S. DEL STATED THAT INDICATION
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OF TARIFF OFFER ON AUTOS NEEDED TO FULLY EVALUATE OVERALL
SWISS OFFER.

2. SWISS DEL REMARKED ON THE UNCERTAINTY OF MAJOR ISSUES
REGARDING THE U.S. TARIFF OFFER, NAMELY THE EXTENT TO WHICH
SPECIFIC DUTIES WOULD BE CONVERTED TO AD VALOREM RATES AND
THE CONVERSION OF, AND EVENTUAL OFFERS ON, ASP ITEMS. THE

SWISS SAID THAT THE U.S. OFFER HAS APPEAL IN TERMS OF AVERAGE DEPTH OF CUT, BUT THAT THEY COULD NOT CONSIDER ANY OFFER CONTAINING EXCEPTIONS SATISFACTORY SINCE THEY TOOK NO EXCEPTIONS. THEIR FIRST STEP WILL BE TO ASK THE U.S. TO CHANGE LESS-THAN-FORMULA REDUCTIONS TO FORMULA REDUCTIONS. AFTER THAT EXERCISE, THE SWISS WILL BE WILLING TO LOOK AT GREATER-THAN-FORMULA ("G") CUTS AND DISCUSS THE POSSIBILITY OF EITHER U.S. WITHDRAWAL OF "G" CUTS OR SWISS IMPLEMENTATION OF "G" CUTS.

3. SWISS DEL PROCEEDED TO PROVIDE SECTOR-BY-SECTOR REVIEW OF U.S. OFFER. REGARDING METALS, SWISS DEL EXPRESSED DISPLEASURE WITH U.S. OFFER ON A BALL BEARING ITEM (TSUS 680.33). AFTER U.S. DEL POINTED OUT THAT OFFER ON 680.33 WAS A FORMULA REDUCTION, SWISS DEL STATED THAT GOS PROBLEM WITH THAT ITEM WAS PROBABLY CONCERNING GOVERNMENT PROCUREMENT. SWISS DEL EXPRESSED DISSATISFACTION WITH OTHER BALL BEARING ITEMS TREATED AS MANDATORY EXCEPTIONS. U.S. DEL NOTED THAT IMPORT RELIEF FOR SUBJECT ITEMS IS SCHEDULED TO EXPIRE AT END OF MONTH, AND SWISS STATED THAT THEY WILL SUPPLY MORE SPECIFIC INFORMATION CONCERNING THEIR INTERESTS IN THIS AREA.

4. REGARDING CHEMICALS, SWISS REITERATED THEIR CONCERN WITH UNCERTAINTY ON ASP ITEMS AND ASKED FOR INDICATION OF PROBABLE U.S. OFFER. U.S. DEL STATED SUCH AN INDICATION LIMITED OFFICIAL USE

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WOULD PROBABLY NOT BE POSSIBLE UNTIL COMPLETION OF THE USITC STUDY AND ASKED SWISS TO SPECIFY PARTICULAR AREAS OF INTEREST, WHICH THEY AGREED TO DO.

5. REGARDING CERAMICS AND GLASS, SWISS DEL CALLED U.S. OFFER "SHY" IN SOME AREAS AND ASKED FOR IMPROVEMENT IN THE OFFER ON TSUS ITEMS 532.24, 532.27, 533.38, AND 533.68. IN ADDITION, SWISS DEL ASKED ABOUT POSSIBILITY OF CREATING AN EX-OUT IN ITEM 533.38 FOR "FONDUE POTS."

6. REGARDING GLASSWARE, SWISS DEL COMMENTED ON LARGE NUMBER OF ECONOMIC EXCEPTIONS, NOTING THAT FOR SOME EXCEPTED ITEMS SUCH AS TSUS 542.11 APPLICATION OF THE FORMULA WOULD BE OF NO APPRECIABLE VALUE SINCE CURRENT DUTIES ARE SO LOW, BUT FOR OTHER EXCEPTED ITEMS, SUCH AS 546.54 AND 546.56, FAILURE TO IMPLEMENT FORMULA REDUCTIONS WOULD HAVE GREAT SIGNIFICANCE, AND ADDED THAT THE SWISS WERE VERY INTERESTED IN EXPORTING HIGH-PRICED CRYSTAL. U.S. DEL NOTED THAT U.S. HAD ACCOMMODATED EXPORTERS OF HIGH-PRICED CRYSTAL THROUGH CREATION OF A HIGH-VALUE BRACKET EX-OUT IN 546.58. SWISS NOTED COMMENT AND AGREED TO RE-EXAMINE SWISS INDUSTRY OBJECTIVES IN

THIS AREA.

7. REGARDING TEXTILES, SWISS DEL ADVOCATED MORE HARMONIZATION THROUGH UNIVERSAL APPLICATION OF THE FORMULA EVEN IF IT MEANS USING A HIGHER COEFFICIENT OF THE SWISS FORMULA. SWISS EXPRESSED DISPLEASURE OVER "PEAKS" CREATED BY MEANS OF ECONOMIC EXCEPTIONS OR LESS-THAN-FORMULA REDUCTIONS, AND NOTED PARTICULAR DISSATISFACTION WITH OFFERS ON TSUS ITEMS 336.60, 316.6020 AND 338.3037 THROUGH 338.3040. SWISS DEL ADDED OBSERVATION THAT BECAUSE THE U.S. AND OTHER COUNTRIES' OFFERS IN TEXTILES WERE NOT GENEROUS WHILE THE SWISS OFFER ENTAILED AN AVERAGE REDUCTION OF OVER 50 PERCENT, THERE WAS A CAUSE FOR GREAT CONCERN AND A GENUINE NEED FOR "ECONOMICALLY VALUABLE RECIPROCITY." ONCE AGAIN, LIMITED OFFICIAL USE

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SWISS AGREED TO PROVIDE DETAILED LISTING OF PARTICULAR

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EUR-12 NEA-10 /168 W

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FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 8740

INFO AMEMBASSY BERN

LIMITED OFFICIAL USE SECTION 02 OF 02 GENEVA 06105

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ITEMS OF INTEREST AND QUERIED ABOUT THE POSSIBILITY OF OBTAINING EX-OUTS FOR HIGH-VALUE TEXTILES AND ALSO FOR FOOTWEAR.

8. REGARDING WATCHES, SWISS DEL SAID THEIR POSITION AS SUMMARIZED IN LAST SESSION (SEE REFTTEL) STILL HELD. THE SWISS OBJECTIVE IN THIS AREA IS HARMONIZATION THROUGH APPLICATION OF THE SWISS FORMULA FOR CONVENTIONAL WATCHES. THEY SINGLED OUT TSUS ITEMS 716.1123, .21, .30, .31, AND 720.24 AS PRIORITY ITEMS.

9. U.S. DEL NOTED THAT WE HAVE NOT YET FINALIZED OUR EVALUATION OF THE SWISS OFFER BUT WILL PROBABLY SUBMIT REQUESTS FOR IMPROVEMENTS IN ONE OR TWO WEEKS.

10. DRAFTED BY ST. MAXENS. MCDONALD
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